FISCAL YEAR 2019/2020 PRELIMINARY FINANCIAL RESULTS

October 20, 2020





TABLE OF CONTENTS

- Preliminary, Unaudited FY 2019/20 General Fund Results
- COVID-19 Financial Impacts
- General Fund Reserve Balances
- FY 2020/21 Adopted Budget Recap



PRELIMINARY, UNAUDITED FY 2019/2020 RESULTS

FISCAL YEAR 2019/2020 RECAP

- July 1, 2019 to June 30, 2020
- FY 2019/20 Mid-Year Report: February 11, 2020
 - Adoption of Staffing Changes
 - Appropriated \$440k for Fire Department Overtime
 - Appropriated various net neutral fiscal adjustments, such as AB 109 grant, CDBG, and OES reimbursements.
- March 19th: COVID hit, and Governor Newsom's Stay at Home Orders were implemented
- April 21st: City Council Adopted Cost Containment Plan to get ahead of COVID-19 Fiscal Impact



PRELIMINARY, UNAUDITED GENERAL FUND EXPENDITURES RESULTS

Expense Category	Adopted Budget	Preliminary Actuals	Over/(Under)
Salaries & Benefits	\$98,502,488	\$95,101,197	\$(3,401,291)
Maintenance & Operations	38,027,253	35,668,301	(2,358,952)
Fixed Assets	1,345,620	1,174,192	(171,428)
Transfers Out	4,280,141	5,405,141	1,125,000
Total	\$142,155,501	\$137,348,831	\$(4,806,671)



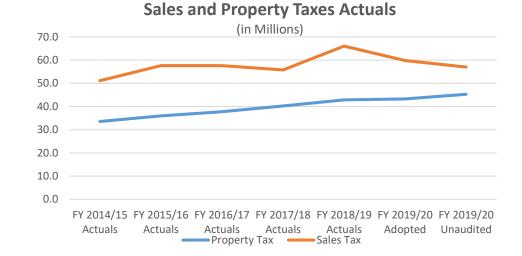
FISCAL YEAR 2019/2020 PRELIMINARY, UNAUDITED GENERAL FUND REVENUES

Revenue Category	Adopted Budget	Preliminary Actuals	Over/(Under)
Taxes	\$ 119,985,686	\$ 115,291,064	\$ (4,694,622)
Licenses & Permits Use of Money & Property Fees & Charges	16,583,309	16,649,423	66,114
Fines & Forfeitures Other Revenues	3,543,308	3,576,795	33,487
Other Government Agencies	438,600	932,738	494,138
Transfers In	1,150,000	1,150,000	
Total Revenues	\$141,700,903	\$137,600,019	\$ (4,100,883)



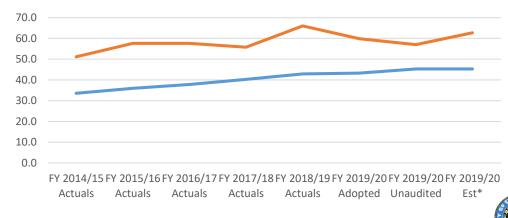
SALES AND PROPERTY TAX

- Sales and Property Taxes make up 75% of total General Fund revenue
- Both significantly increased over last 5 years
 - Sales Tax growth of 11.5% since FY 2014/15
 - Prior to COVID, HDL projected a 23% growth since FY 2014/15
 - Property Tax growth of over 35% since FY 2014/15





(In Millions)



Sources: CAFRs and City

TRANSIENT OCCUPANCY TAX (HOTEL TAX)

- The current rate is 8%, and is imposed on persons staying 30 days or less in a hotel.
- The City has 29 hotels and lodging facilities.





GENERAL FUND REVENUES – TAXES

Revenue Category	Adopted Budget	Preliminary Actuals	Over/(Under)	
Property Tax	\$ 43,246,886	\$ 45,248,441	\$ 2,001,555	
Sales Tax	59,854,856	56,969,336	(2,885,520)	
TOT (Hotel tax)	9,619,199	6,587,223	(3,031,976)	
Other Taxes	7,264,745	6,486,064	(778,681)	
Total Taxes	\$119,985,686	\$115,291,064	\$ (4,694,622)	



COVID-19 FINANCIAL IMPACT





GETTING AHEAD OF COVID-19: FY 2019/2020

- March 13th: Costa Mesa was the first City in the County to adopt Resolution 2020-09 ratifying the Proclamation declaring an existence of a local emergency
- March 19th: Governor Newsom implemented Stay at Home Orders
- April 21st: Staff presented Cost Containment Plan to the Council
 - \$10 Million in cuts for Scenario 1
 - Reduce Appropriations by \$4.0 Million
 - Reduce CIP budget and temporary deferral or suspensions of \$6.0 Million
 - \$18.5 Million in cuts and use of reserves for Scenario 2
 - Targeted hiring freeze
 - Essential Services Only Processes
 - Implemented FEMA Documentation Protocols
- Creation of COVID-19 Disaster Fund



CITY ACTIONS PREPARING FOR FY 2020/2021

- April/May: Immediately began negotiations with all nine (9) associations regarding a 10% employee furlough
- May 19th: FY 2020/21 Preliminary General Fund Revenue and Expenditure Estimates and Overview
- June 9th: FY 2020/21 Proposed Operating and Capital Improvement Program Budget
- June 16th: FY 2020/21 Adopted Operating and Capital Improvement Program Budget



IMPACT OF COVID-19

- The City accepted CARES Act Funds in 2020:
 - \$2.7 million to implement a Small Business Grant program; financial assistance to over 130 businesses, and \$1.5 million more to be distributed by December 2020
 - \$0.9 million via the County to offset City COVID-19 expenditures
 - \$1.4 million via the State to offset City COVID-19 expenses
 - County reimbursement for hotel/motel voucher program for homeless persons
- CalOES approved \$0.9M for FEMA eligible expenses
- \$1.8 million CDBG-CV Funding in 2020:
 - Rental Assistance / Homelessness Prevention
 - Utility Assistance
 - Homeless Street Outreach
 - Encampment Response
 - Motel/Hotel Vouchers
 - Food Assistance



DISASTER FUND OVERVIEW

DESCRIPTION	FY 2019/20 thru FY 2020/21
REVENUES	
Homeless Reimbursement: County CARES	89,243
CARES Act: County	995,615
Total Revenues	1,084,858
EXPENDITURES	
Expenditures thru June 30, 2020	3,377,455
FY 2019/20 Difference	(2,292,597)
FY 2020/21	
REVENUES	
CARES Act: State	1,417,179
FEMA Reimbursement*	940,319
FY 2020/21 YTD Expenditures	489,769
Year to Date Difference	(424,868)



FY 2019/2020 PRELIMINARY, UNAUDITED GENERAL FUND OVERVIEW

Description	\$
Revenues	\$137,600,019
Expenditures	137,348,831
Balance	\$ 251,188



OTHER FUNDS

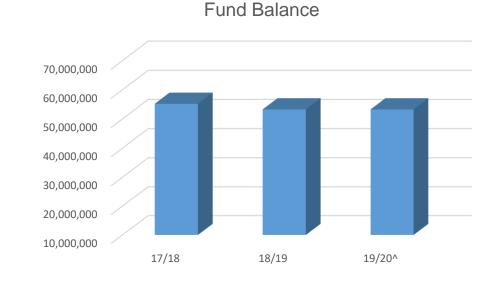
- Disaster Fund
- Housing Authority Fund
- Self-Insurance Fund
- Equipment Replacement Fund



GENERAL FUND RESERVE BALANCES

GENERAL FUND RESERVE BALANCES

- FY 2018/19 audited unassigned fund balance equals 16% of total General Fund
- Authority to use reserves to address emergencies



General Fund Balances						
14/15	15/16	16/17	17/18	18/19	19/20^	
4,165,795	2,486,085	2,253,843	2,038,518	280,195	280,195	
16,125,000	16,125,000	16,125,000	16,125,000	23,625,000	23,625,000	
11,325,819	13,820,663	13,819,088	13,730,832	8,940,072	8,940,072	
22,199,337	32,040,713	30,867,198	23,329,730	20,451,232	20,451,232	
53,815,951	64,472,461	63,065,129	55,224,080	53,296,499	53,296,499	
	4,165,795 16,125,000 11,325,819 22,199,337	14/15 15/16 4,165,795 2,486,085 16,125,000 16,125,000 11,325,819 13,820,663 22,199,337 32,040,713	14/15 15/16 16/17 4,165,795 2,486,085 2,253,843 16,125,000 16,125,000 16,125,000 11,325,819 13,820,663 13,819,088 22,199,337 32,040,713 30,867,198	14/15 15/16 16/17 17/18 4,165,795 2,486,085 2,253,843 2,038,518 16,125,000 16,125,000 16,125,000 16,125,000 11,325,819 13,820,663 13,819,088 13,730,832 22,199,337 32,040,713 30,867,198 23,329,730	14/15 15/16 16/17 17/18 18/19 4,165,795 2,486,085 2,253,843 2,038,518 280,195 16,125,000 16,125,000 16,125,000 23,625,000 11,325,819 13,820,663 13,819,088 13,730,832 8,940,072 22,199,337 32,040,713 30,867,198 23,329,730 20,451,232	

[^]Preliminary, unaudited estimate



FY 2020/2021 GENERAL FUND BUDGET SUMMARY

- FY 2020/21 Budget Adopted \$136.6 Million
- Actions Taken:
 - 5% Employee Furloughs (\$3M in savings across 9 bargaining units)
 - \$10.8M in Department operating reductions
 - Defunded 14 Full Time positions
 - Laid Off 54 Part Time positions
 - Furloughed 42 Part Time positions
 - Contingency Plan to use \$4M in reserves, if needed, and \$6M in CIP cuts taken in FY 2019/20, if needed



FY 2020/2021 ADOPTED BUDGET RECAP

GENERAL FUND ESTIMATES

(in millions)

Description	FY 2019/20 Adopted Budget	FY 2020/21 Adopted Budget	\$ Change	% Change
Recurring Revenues	\$140.5M	\$126.4M	(\$14.1M)	(10.0%)
Transfer In-Capital Fund	1.2M		(1.2M)	(100.0%)
Use of Disaster Reserves/ FEMA/CARES Act	0.5M	10.2M	9.7M	1,982%
Total Revenue	\$142.1 M	\$136.6M	(\$5.6M)	(3.9%)
Expenses	\$142.2M	\$136.6M	(\$5.6M)	(3.9%)
Surplus/(Deficit)	-	-	-	



RECAP

- City Council took swift, immediate actions within 30 days to alleviate COVID impacts
- First City in the County declare the emergency to enable receipt of Federal Funds
- Within 30 days of the emergency, adopted plans for the \$10.0 million scenario and worst case scenario of \$18.5 million
- FY 2019/20 Preliminary, Unaudited Results indicate all actions taken were successful with a slight \$250k balance to the good
- Disaster Fund will receive Federal Funding in FY 2020/21 to help offset costs partially or in full
- Costa Mesa is AA+ Rated Credit; which is an excellent rating

